

## **Extended essay**

### **Business Management**

**Title:** The influence of Adidas' marketing strategy on ensuring financial growth and maintain high market position.

**Research question:** *How successful is Adidas marketing strategy at ensuring financial growth and maintain high market position?*

**Word count: 3854**

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## Introduction

These days, sportswear industry becomes popular and multi-audience market, which is very demanding with many competing companies. The key to stay at the top is choosing and realizing the proper management strategies. Adidas AG is German manufacturer of shoes, apparels and sport equipment with headquarters in Herzogenaurach, Germany. Company was founded after the II world war in 1949 by Adolf Dassler, but the beginnings of the business date back to about 1924.<sup>1</sup> Its products are traditionally marked with a three-stripe trademark (still present in the company's newer "trefoil" and "mountain" logos).<sup>2</sup> The aim of the extended essay is to answer the question: ***How successful is Adidas marketing strategy at ensuring financial growth and maintain high market position?*** This essay will focus heavily on marketing as well as the finance and accounting topics of Business Management units of syllabus.

Trends changes very fast and are dependent on many factors, which makes extremely difficult for companies to target and adopt to the specific customer taste and become the front runner in the industry. High competition, all the constant changes and development in fashion with addition of occasionally emerging world problems (crises or latest pandemic of Covid-19 and war in Ukraine) are not conducive to the development of companies. Some companies in this industry struggle a lot to keep growing, fulfill the goals or even survive. Adidas has always been considered as one of the leaders in the sportswear industry. By taking a deeper look at the Adidas marketing strategy and

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<sup>1</sup> "adidas - History." *Adidas Group*, <https://www.adidas-group.com/en/about/history/>. Accessed 9 March 2023.

<sup>2</sup> Lewis, Robert. "Adidas | History, Products, & Facts | Britannica." *Encyclopedia Britannica*, <https://www.britannica.com/topic/Adidas-AG>. Accessed 9 March 2023.

their finances, it should be possible to deduce their condition verify their market position as well as derive recommendations that can be applied to start-ups willing to enter this market.

## **Methodology**

In order to examine and evaluate the successfullness of Adidas' marketing strategy and determine its market position, data used are mainly from the secondary sources. Financial reports, information's about company's strategies and operations has been taken directly from Adidas to ensure the reliability of the quantitative data. But the data giving insight view on their marketing and its market position have limited extend. That is why, to support and makes my research more reliable it was necessary to conduct and collect data from an Internet survey and use a wide range of other websites, case studies reports, books and articles. However, in such sources it is high risk that the researcher bias can be present, that is why the critical thinking and analytical skill must be employed. The primary source has to be analyzing very carefully as the number of people surveyed and the environment they live in is disproportionate to those covered by Adidas' activities. The role of survey is to support the data and knowledge included in articles in order to deduce the trends and deeper explore people's perception of a company. Analysis and comparison the multiple perspectives from different authors are crucial to obtain objective viewpoints that should allow confirming and understanding the validity of each phenomenon and answer the research question.

This essay utilizes the majority of the theory that comes from Unit 4 from Business management syllabus: Marketing. Firstly, I will use SWOT analysis and 4P marketing

mix in order to examine Adidas' approach to marketing and find out the major factors that the company's marketing depends on. It will present a clear view on company's marketing strategy, its operations to see what allows them to be considered by many as a top company in the sportswear industry for so many years. In addition used will be knowledge from Unit 3 from the syllabus: Finances. By approaching the ratio analysis, comparing financial data from latest years and using product positioning map I will be able to compare the results of Adidas relative to the competitors, determine their condition, market position and deduce successfullness of company's marketing strategy.

## SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ High sport brand value</li> <li>▪ Strong distribution network</li> <li>▪ High global presence of company</li> <li>▪ Iconic brand with a prestigious legacy presented by famous sportsmen and pop culture stars</li> <li>▪ Large social media following</li> <li>▪ Diversified and innovative portfolio of products</li> </ul>	<ul style="list-style-type: none"> <li>▪ Shortage of supply change, leading to over dependence on third-part manufacturers</li> <li>▪ Growing operating expenses</li> <li>▪ Relatively high prices of most products</li> <li>▪ Many controversies and ethical issues in latest time</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Larger development of e-commerce</li> <li>▪ High popularity and grown sportswear industry</li> <li>▪ Investing in smart materials</li> <li>▪ Venture into sport infrastructure</li> <li>▪ Introducing and investing more in pro-ecological and gender-neutral products</li> <li>▪ In-house manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>▪ High competition in the sportswear industry</li> <li>▪ Loss of trademark, which can lead to increase the amount of counterfeit products in the market</li> <li>▪ Supplier dominance</li> <li>▪ Increase in exchange rates and slows down of global economic conditions</li> </ul>

Table 1. SWOT analysis for Adidas

To begin with, the obtained results of the SWOT analysis show the internal and external positive factors of the analysis: strengths and opportunities outweigh the negative one: weaknesses and threats.

## **Strengths**

Adidas can be proud from their world presence, they are operating in over 160 countries and have a network of over 500 factories in 49 countries.<sup>3</sup> Company in 2021 had more than 2,200 own-retail stores,<sup>4</sup> and in 2019 was proud of having more than 15,000 mono-branded franchise stores and more than 150,000 wholesale doors.<sup>5</sup> It stabilizes the company's strong market position, provides constant contact with customers and allows for effective development. Company pays much attention on the way how the brand is presented. By sponsorships and partnerships with FIFA or football players like Lionel Messi or Paul Pogba they gain positive publicity and advantage over the others. Large social media followings show that Adidas is active in social media, which nowadays is extremely important and even necessary in order to be competitive in the industry. In addition, Adidas is not only focused on one aspect of sportswear like it was at the beginning of their operation. Now, they have many different products from various types of shoes, by tracksuits, T-shirts and sweatshirts to football's ball or tennis gadgets. Products are targeted to larger and different groups of sportsmen and even common users, which naturally allow gaining positive publicity and reach, attract more customers, which for Adidas is a priority.

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<sup>3</sup> "adidas - Supply Chain." *Adidas Group*, <https://www.adidas-group.com/en/sustainability/social-impacts/supply-chain/>. Accessed 9 March 2023.

<sup>4</sup> "Strategy - adidas Annual Report 2021." *adidas Annual Report 2022*, <https://report.adidas-group.com/2021/en/group-management-report-our-company/strategy.html>. Accessed 9 March 2023.

<sup>5</sup> "Sales and Distribution Strategy - adidas Annual Report 2019." *adidas Annual Report 2022*, 11 March 2020, <https://report.adidas-group.com/2019/en/group-management-report-our-company/corporate-strategy/sales-and-distribution-strategy.html>. Accessed 9 March 2023.

## **Weaknesses**

Adidas has outsources its manufacturing of products mainly to third-party or independent production manufacturers, located in Asian countries (Vietnam, China, Cambodia).<sup>6</sup> It puts company at risk of overdependence from these foreign suppliers and if their operations get disturbed, it can negatively impact on operational results for Adidas. Growing operating expenses caused rising prices of raw materials and labor affecting the finances of the company. Adidas sells its goods at a relatively high price, which might marginalize low-income customers leading to significantly limit company's sales opportunities. Recently, Adidas AG has been affected by many controversies and ethical issues. Ethical issues are mostly related to the exploitation of labor wherein company has been accused of employing child labor, wage theft and was involved in the cooperation with supplier that have been involved in employing forced labor.<sup>7</sup> In addition, Adidas has also been accused of copying Nike's Primeknit shoes and decided to end the partnership with Kanye West, which has aroused much controversy. Such situations negatively impacts on the perception on the company among society, which might be reflected in an uncertain market position and worse financial results.

## **Opportunities**

There is no indication of a potential slowdown in development or a decline in interest in sportswear, so Adidas does not have to worry about change of direction of development or future of the industry. As the e-commerce became very popular and

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<sup>6</sup> Mehta, Runal. "Swot Analysis of Adidas in 2022." *Digiaide*, <https://digiaide.com/swot-analysis-of-adidas/>. Accessed 9 March 2023.

<sup>7</sup> Ciment, Shoshy. "Adidas & Other Companies Accused of \$109 Million Worth of Wage Theft in Cambodia." *Footwear News*, 13 May 2022, <https://footwearnews.com/2022/business/athletic-outdoor/adidas-and-others-accused-of-stealing-wages-1203287176/>. Accessed 9 March 2023.

the number of people shopping online increased, it would be worth for Adidas to concentrate on this part of business and invest money in its development in order to attract more customers and gain an advantage over competitors. With such a stable condition of market and high attention on sport results, Adidas might try to explore the opportunity of enhancing its business by creating own league in particular discipline or establishing sports universities to train athletes. Moreover, it should be profitable for Adidas to introduce and invest in sustainable and gender-neutral products, as it looks promising in terms of the desired sustainability. Good direction of development seems to be also in-house manufacturing, own manufacturing plants which would be fully controlled by Adidas. It would be a solution for main weakness and threat of company, which is overdependence on suppliers.

## **Threats**

The main threat of companies in sportswear industry is high competition. Adidas has to face with many competitors, including Nike, Asics, Puma, Under Armor, Fila. It demands from Adidas very careful, thoughtful and clear decisions in terms of strategies and direction of development in order to not be overcome by them. Adidas lost its trademark, which can lead to increase the amount of counterfeit products in the market causing decrease in sales. Adidas is dependent on the suppliers, which might transform into dominance in the future. In such a situation suppliers would have greater negotiating power than the business. They would be aware that Adidas could not be working well without them. It would lead to significant reduction of the company's independence and worse conditions of cooperation (greater costs). The main threat for the whole industry is an increase in exchange rates and slows down of global economic conditions, caused

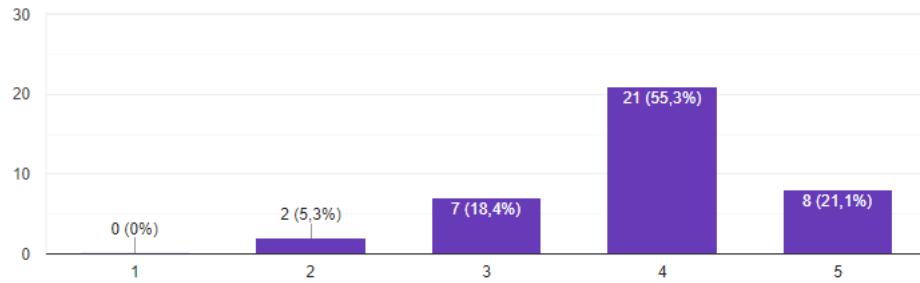
mainly by independent from companies worlds issues (pandemic of Covid-19, war in Ukraine) and tightening laws (limiting the environmental destruction).

## **Marketing Mix (4P)**

### Product

Adidas products are widely known from its sport usage and innovative design. Despite the fact that it has historically been associated mainly with sports shoes, currently company's portfolio includes various product lines of footwear, apparel, accessories, football kit, golf equipment, etc. The range of products is also divided according to different sport games, which Adidas supports. Company is actively engage in supplying the team kits and equipment to organizations, clubs that identify with football, baseball, basketball, tennis, cricket, gymnastics, ice hockey, running, golf and many others. Over the years they expanded their perspective and added to their portfolio products that are also concentrated on lifestyle and fashion. Adidas sells products that are highly differentiated, with various features offered, allowing for customers to select the wear, item that best suits their preferences. Company is not afraid to introduce new innovations and ideas into reality. Overall, their development and operations focuses mainly in the field of shoes. They still develop the boost technology present in models like Yezzy and NMD, but the future is rather related to Futercraft 4D STRUNG. This technology as Adidas says, is the first fully athlete data-coded shoe. 3D printing and robotics based on these date create the optimal personalized shoes that

enhance the individual's sports performance.<sup>8</sup> All of these impacted significantly in a positive way on the attraction, loyalty of customers and position of a company in the market a company. In addition, the internet survey results and opinions included in many articles confirm this statement and show that Adidas's products are distinguished by high quality and unique design. Most of surveyed people (55,3%) marked answer 4, which means that they consider the Adidas products as high quality and well manufactured compared to the competitors.



*Figure 1. Results of the survey regarding quality of Adidas products from 1 (low quality) to 5 (high quality)<sup>9</sup>*

## Price

The pricing strategy is very important part of the successfulness of marketing strategy and the way the product and the company are perceived by society. In case of Adidas, when in the market competition is extremely high, such an aspect of a business like prices of each product has to be very carefully analyzed and thoughtful before the release and during its existence on the market. Every mistake can lead to decrease

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<sup>8</sup> Corcoran, Fionn, et al. "FUTURECRAFT Exploring the Upper Limits: Meet the New Textile Innovation That Changes How We Create Footwear." *adidas News*, 8 October 2020, <https://news.adidas.com/running/futurecraft-exploring-the-upper-limits--meet-the-new-textile-innovation-that-changes-how-we-create-f/s/fa6cf79b-1fe3-4911-96ed-3507cf4f20fc>. Accessed 9 March 2023.

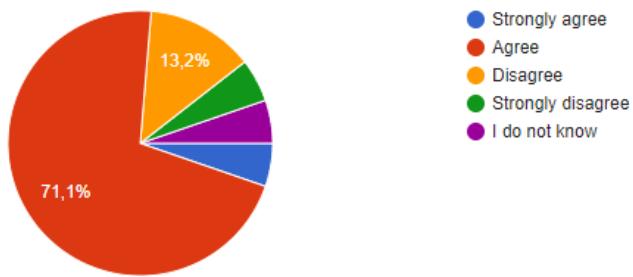
<sup>9</sup> Appendix A – Internet survey results.

in sales revenues and profit, which for every company is considered as a painful defeat. Adidas in order to maximize their incomes decided on usage of two pricing strategies: the competitive pricing strategy and the skimming pricing strategy. The competitive pricing comes into play with its regular products, taking into account the prices of rival companies like Nike and Puma.<sup>10</sup> It is used in order to combat the prices and attitudes of the competitors and do not give them advantage over them in form of cheaper prices. However, Adidas as a company with a great and long history become a prestigious, iconic company. In order to maintain such a high status and exclusivity of products, the prices cannot be too low. Here, the skimming pricing strategy applies very well. It is used whenever Adidas launches a cutting-edge product that seems to be more advanced than what competitors offer.<sup>11</sup> Company using such a strategy show that they want to target to high-end customers, who are willing to pay more money for the better quality of a product and more exclusive brand name. It also gives consumers an irresistible feeling that they are actually buying a quality product that is worth so much money. Clearly and very visible show it the results of two questions included in the internet survey. Most of surveyed people answered that they consider Adidas' prices as medium (39.5%), slightly expensive (44.7%), but despite this fact most of them (71.2%) still answered that they agree that the prices are appropriate to the quality of the products. It confirms the success of Adidas price strategy and shows that it allows combating the operations of competitors and stabilizing the high position in sportswear industry.

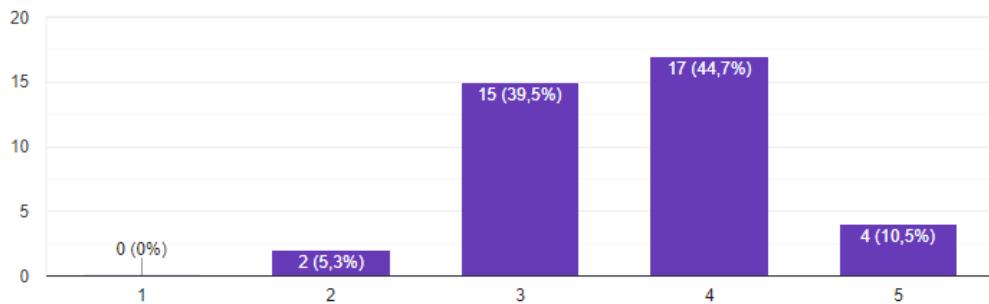
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<sup>10</sup> "Adidas Marketing Mix (4Ps) Analysis." *EdrawMind*, <https://www.edrawmind.com/article/adidas-marketing-mix-analysis.html>. Accessed 9 March 2023.

<sup>11</sup> "Adidas Marketing Mix (4Ps) Analysis." *EdrawMind*, <https://www.edrawmind.com/article/adidas-marketing-mix-analysis.html>. Accessed 9 March 2023.



*Figure 2. The answers on the question related to whether Adidas products are worth their price<sup>12</sup>*



*Figure 3. Results of the survey regarding prices of Adidas products from 1 (cheap) to 5 (expensive)<sup>13</sup>*

## Promotion

Promotion is the crucial aspect of each marketing strategy. It ensures a contact with customers and highly influences on the perception of products, activities and publicity of company. Adidas' high recognition and exclusivity of the brand owe to the heavily invested, creative and effective promotion. As the Adidas strength and history is directly connected with sport, the company willing invests in the sports clubs and events as well as promotes the pro ecological and health way of life. Company uses multiple media channels to promote its products and vision. It still uses traditional media like

<sup>12</sup> Appendix A – Internet survey results.

<sup>13</sup> Appendix A – Internet survey results.

advertisement on television, radio and newspapers. However, nowadays, online and social media advertising increases to such an extent that company has to be actively engaged in them in order to reinforce their brand image, still be popular and generate large profits. Adidas is aware of advantages and necessity of significant existing in social media, which is indicated by large number of posts and followers, improving own website and shares all the information through the Internet. Adidas has over 4.36 million followers on Twitter,<sup>14</sup> over 40.7 million follows on Facebook,<sup>15</sup> over 27.1 million followers on Instagram<sup>16</sup> and 4.2 million follows on TikTok.<sup>17</sup> All of these results are satisfying, especially in compare to the competitors, from which only Nike generates greater ranges. Internet promotion is profitable and very beneficial for Adidas due to its ease and worldwide reach, low costs, and ability attract a large number of new customers. Adidas relies heavily its promotion on sponsorships, partnerships and campaigns. Company invests huge amounts of money in order to sponsor and support for sports teams like Real Madrid or Manchester United and famous players like Lionel Messi, James Harden or Stefanos Tsitsipas. By partnering and cooperating with such a high-profile athletes, teams and pop culture stars (like Kanye West) Adidas is able to reach large and diverse audience, generate a lot of attention around brand name and maintain and strong market position. The survey results also shows that such a promotion strategy is working very well and is appreciated by people as only 13.2%

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<sup>14</sup> “adidas (@adidas).” *Twitter*, [https://twitter.com/adidas?ref\\_src=twsrctwsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwgr%5Eauthor](https://twitter.com/adidas?ref_src=twsrctwsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwgr%5Eauthor). Accessed 9 March 2023.

<sup>15</sup> “adidas - Home.” *Facebook*, <https://www.facebook.com/adidas/>. Accessed 9 March 2023.

<sup>16</sup> “@adidas • Instagram photos and videos.” *Instagram*, <https://www.instagram.com/adidas/>. Accessed 9 March 2023.

<sup>17</sup> “adidas (@adidas) Official.” *TikTok*, <https://www.tiktok.com/@adidas>. Accessed 9 March 2023.

answers in survey stated that it is ineffective and does not give any advantage for the company.

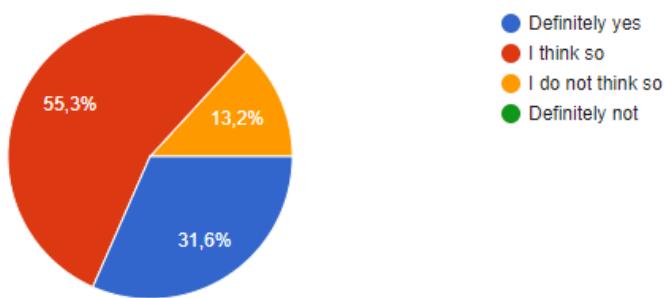


Figure 4. Answers to the question: Is Adidas gaining an edge in the market by investing in partnerships and sponsorships?<sup>18</sup>

## Place

Place plays a vital role in each marketing strategy. Adidas is present in over 160 countries and has a network of over 500 factories in 49 countries. The company outsources 100% of production to independent manufacturing partners out of which nearly 71% are from Asia.<sup>19</sup> It is rather common decisions, situations to produce majority of products in Asia as the all costs are relatively low, comparing to other continents. Company sells its products through two ways: by wholesale and direct to the consumer. In the first case, Adidas sells its product to wholesalers who then sell to different retailers located all over the country. These then sell to its customers. It is the main common way of selling as it occupies 62% of the whole net sales. Direct to the consumer is done by online shopping (e-commerce) and own retail that occupies 38% of the whole net

<sup>18</sup> Appendix A – Internet survey results

<sup>19</sup> adidas Corporate Website – News. Investors. Careers., <https://www.adidas-group.com/en/>. Accessed 9 March 2023.

sales.<sup>20</sup> Adidas has 2,200 own retail stores and its e-commerce is available in 58 countries.<sup>21</sup> Adidas also operates 987 concept stores, 111 concession corners and 1,083 factory outlets. The whole structure is well-designed, but in trend of innovation and popularity of Internet Adidas should focus and invest more in the development of e-commerce. It is only 19%, which show that there is a lot to improve and gain extra publicity and profit.

#### **Net sales by channel<sup>1</sup>**



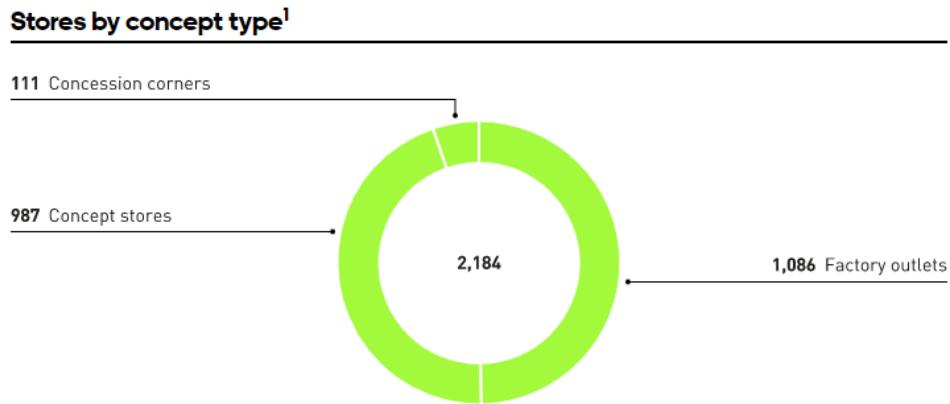
<sup>1</sup> Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

*Figure 5. Adidas' net sales results in 2021<sup>22</sup>*

<sup>20</sup> Global Sales - adidas Annual Report 2021.” *adidas Annual Report 2022*, <https://report.adidas-group.com/2021/en/group-management-report-our-company/global-sales.html>. Accessed 9 March 2023.

<sup>21</sup> Global Sales - adidas Annual Report 2021.” *adidas Annual Report 2022*, <https://report.adidas-group.com/2021/en/group-management-report-our-company/global-sales.html>. Accessed 9 March 2023.

<sup>22</sup> Global Sales - adidas Annual Report 2021.” *adidas Annual Report 2022*, <https://report.adidas-group.com/2021/en/group-management-report-our-company/global-sales.html>. Accessed 9 March 2023.



<sup>1</sup> Figures reflect the expected divestiture of the Reebok business.

Figure 6. Division of Adidas stores by concept type in 2021<sup>23</sup>

## Financial situation

Adidas AG is a public limited company, which is listed on the “Deutsche Börse”, German stock exchange located in Frankfurt. The stock is part of the DAX index, which includes the 40 largest German companies.<sup>24</sup> It makes that Adidas is obligated to share financial and environmental reports to the public and be aware that everything company does, its activities, progress in realization of strategy or results of investments usually have directly impact on their publicity and market share value. However, Adidas’ market stock value fluctuation shows the successiveness of a company’s activities. Despite the fact of a serious problems and risk of bankruptcy after the death of son of the founder Adidas ultimately came out of the crisis quietly and started his significant growth and increase of market share.<sup>25</sup> The chart clearly shows the growth tendency as the value increases

<sup>23</sup> Global Sales - adidas Annual Report 2021.” *adidas Annual Report 2022*, <https://report.adidas-group.com/2021/en/group-management-report-our-company/global-sales.html>. Accessed 9 March 2023.

<sup>24</sup> adidas - Share Details.” *Adidas Group*, <https://www.adidas-group.com/en/investors/share/share-details/>. Accessed 9 March 2023.

<sup>25</sup> adidas - History.” *Adidas Group*, <https://www.adidas-group.com/en/about/history/>. Accessed 9 March 2023.

about 250% from the beginning. However, the development of company and stock market value lately has been affected by the war which caused the loss of large market in Russia. It causes the visible decrease in market stock value (from 2022, when war started) not only in Adidas case but also in the whole sportswear industry.<sup>26</sup> The financial data shared by Adidas shows the progress, growth of the company as from year to year increases net sales and gross profit. The value of current ratio in 30 December 2021 was equal 1.56 and 1.25 in 30 September 2022. It implies that Adidas has ability to cover short-term debt with current assets so investors and stakeholders should not be worry about liquidity of a business or danger of bankruptcy.



Figure 7. Stock market of Adidas<sup>27</sup>

<sup>26</sup> Aziz, Sandy. "Russia's Invasion of Ukraine: H&M, Adidas, & More Brands Announce Restrictions." *Teen Vogue*, 9 March 2022, <https://www.teenvogue.com/story/brand-restrictions-ukraine-russia>. Accessed 9 March 2023.

<sup>27</sup> Google. "Google Finances" <https://www.google.com/finance/quote/ADS:ETR?hl=pl&window=MAX/> . accessed 9 March 2023.

Adidas financial results (full year)	2020	2021	2022
Net sales (in €)	18,435 million	21,234 million	22,789 million*
Gross profit (in €)	9,222 million	10,765 million	10,768 million*

Table 2. Adidas financial results 2020-2022\* (\*predicted data shared by Adidas for 2022)<sup>28</sup>

$$\text{Current ratio (30 December 2021)} = \frac{\text{current assets (in €)}}{\text{current liabilities (in €)}} = \frac{13944 \text{ million}}{8965 \text{ million}} = 1.56$$

$$\text{Current ratio (30 September 2022)} = \frac{\text{current assets (in €)}}{\text{current liabilities (in €)}} = \frac{13217 \text{ million}}{10605 \text{ million}} = 1.25$$

Equation 1. Calculated current ratios for Adidas (2021, 2022)<sup>29</sup>

## Comparison to the competition

Sportswear industry has become much demanded market with large amount of competing companies. Adidas is on the market for a long time (73 years from company's foundation) and is valuable and well recognizable by the customers. Adidas market position is high and its brand considered as an iconic. From the comparing the results of sales revenues between all companies and analyzing the survey results, Adidas next to Nike seem to be the trendsetters and a step ahead by everyone else. They are currently clearly leaders or even dominators of the market.

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<sup>28</sup> Appendix B - Adidas financial results for 2021 and appendix C - Adidas predicted financial results for 2022.

<sup>29</sup> Appendix B - Adidas financial results for 2021 and appendix D - Adidas financial results for 9 month in 2022 (30 September 2022).

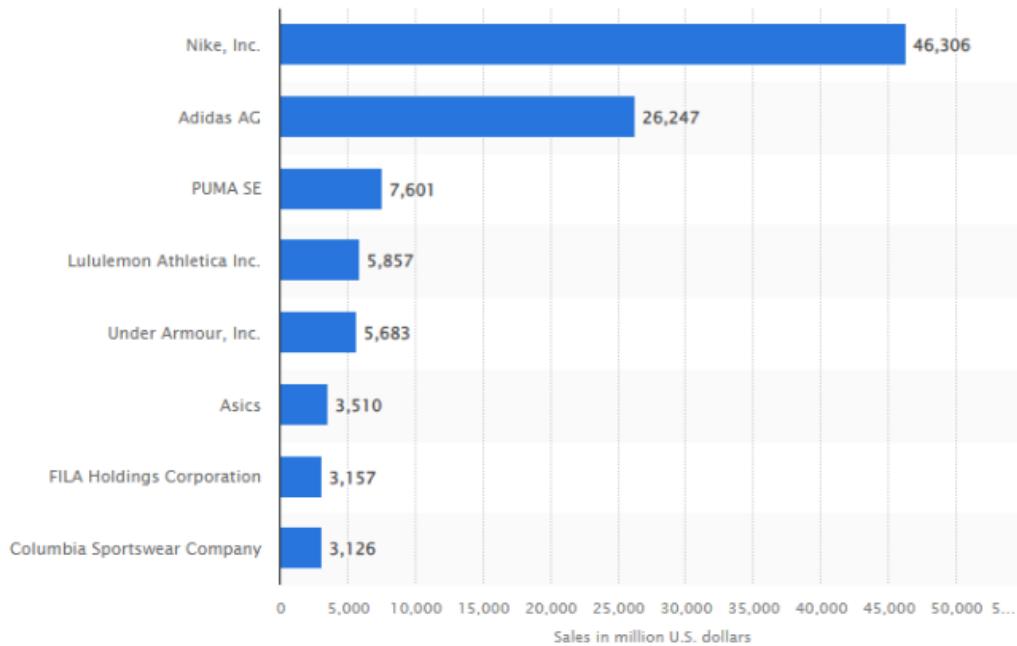


Figure 8. Sales of the biggest athletic apparel, accessories and footwear companies worldwide in 2022  
(in million U.S. dollars)<sup>30</sup>

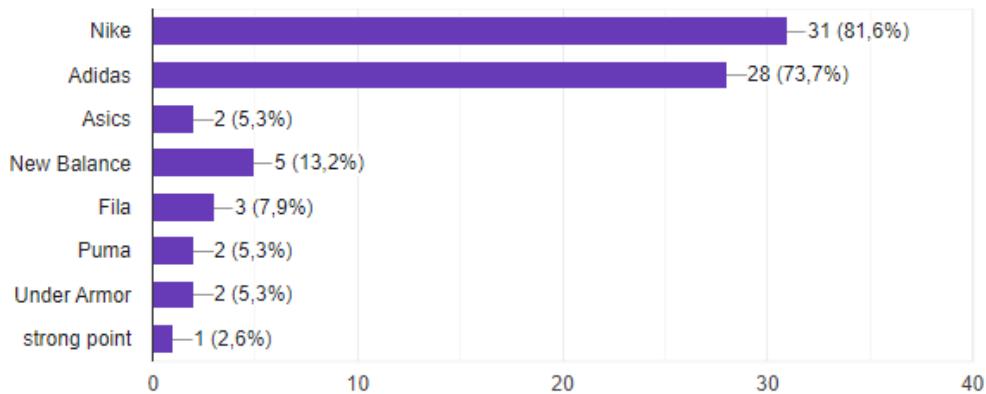


Figure 9. Answers on question: Which company do you think is a trendsetter and a leader in sportswear brands?<sup>31</sup>

<sup>30</sup> Smith, P. "Sportswear: largest companies by revenue 2021." Statista, 27 July 2022, <https://www.statista.com/statistics/900271/leading-sportswear-and-performance-wear-companies-by-sales-worldwide/>. Accessed 9 March 2023.

<sup>31</sup> Appendix A – Internet survey results.

Among all of the Adidas competitors, the strongest and most significant in the market is Nike. However, American company (Nike), seem to easily outperforms Adidas, with a current brand value (according to Forbes) estimated at \$39.1 *B*, which is over 3 times larger than Adidas (\$12.9 *B*).<sup>32</sup> In addition, Nike's sales revenue in 2022 was equal \$46,306 *million*, what is \$20,059 *million* more than that of Adidas (\$26,247 *million*).<sup>33</sup> The data shows that Adidas is significantly over the majority of competitors, but the leading company in the market is Nike. American company makes more money than German manufacturer annually while maintaining several forms of competitive advantages.



Figure 10. Product positioning map of famous sports apparel companies<sup>34</sup>

<sup>32</sup> SWANT, MARTY. "The 2020 World's Most Valuable Brands." *Forbes*, [https://www.forbes.com/powerful-brands/list/#tab:rank\\_industry:Apparel](https://www.forbes.com/powerful-brands/list/#tab:rank_industry:Apparel). Accessed 9 March 2023.

<sup>33</sup> Smith, P. "Sportswear: largest companies by revenue 2021." *Statista*, 27 July 2022, <https://www.statista.com/statistics/900271/leading-sportswear-and-performance-wear-companies-by-sales-worldwide/>. Accessed 9 March 2023.

<sup>34</sup> "Brand Positioning." *Fashion Management and Marketing*, <http://fmcelisesibley.blogspot.com/2019/01/brand-positioning.html>. Accessed 9 March 2023.

Adidas products are highly differentiated, and the company is not focusing only on performance. It started to consider lifestyle and fashion as very important part of a market and good direction of development. This attitude is well presented in the product perception map, where Adidas has been place in the middle upper right part. It says that Adidas is a company that recently is associated not only with successes in sport but also with high engagement on fashion and world trends. It is probably the contribution of Adidas' great emphasis on sponsorships and partnerships many events and famous professional athletes, which gives very positive publicity, exclusivity and large recognition. Its pricing of products are considered as rather expensive, but still cheaper than their main competitor – Nike. American company is considered as the balanced company, which is in the middle of the map between performance and fashion. Majority of other (mentioned by the people in survey) competitors pricing strategies are rather seen as cheap. Map also clearly present how strongly differentiated is sportswear market as there are companies that are present in each side and shows the importance of marketing strategy in the perception of a product and brand, which as all the financial survey's results show is very effective.

## Conclusion

Term success generally, would be defined as the realization of particular goals, which is dependent on the company's aspirations and priorities. In business it is mainly synonymous with the development and growth of the company. Inseparable part and determining factor of evaluation and progress is financial situation. Successful company usually can boast increasing share value and profits. Adidas' net sales and gross profit

increased in the recent years which indicate the maintenance the leading market position and growth of the company. Stability of finances allows developing new innovations and improving in many areas of operations in which Adidas seem to be slightly behind the main competitor - Nike. Pandemic of Covid-19 and war in Ukraine slightly slowed the improvement and growth of a company, but did not stop it. Market share value decreased significantly, however such a situation was independent from the management of a company and touched the whole sportswear industry market. Adidas is not close to be in danger of bankruptcy and still shows the improvement, which only testifies the successful of a market strategy, its realization and chosen direction of development. Overall, Adidas has finances in very good conditions, increasing net profits each year is a good prediction for the future development and constant growth.

Presented analysis shows clearly the successfullness of Adidas marketing strategy in order to ensure the financial growth and maintain high position. Their marketing is based on manufacturing innovative, high quality shoes and other sport equipment. Such a differentiated product portfolio allows targeting the broader audience. Price based on skimming and competitive pricing strategy works perfectly and very effectively allowing for a company to gain an advantage over competitors. Creative promotion based mainly on sponsorships and partnerships lead to gain a lot of attention of public and to attract, satisfy customers' needs. Adidas' promotion and activities in social media create a vision of modern and transparent company that want to keep in touch with their customers. The high market position is maintained but Nike is significantly ahead in terms of sales results, development and perception. Adidas has a chance to catch up Nike but it demands from them very careful decision-making and realization of mentioned

opportunities. All of these, with a great diverse portfolio, good publicity and stable finances should lead to the continuous, larger growth of a company and maintain high position or even become the real and the only leader in sportswear industry.

## **Limitations**

Unfortunately, my extended essay has also several limitations that are primarily related to the sources and documents on which it was created. The information mainly was taken directly from Adidas websites, which rather are not characterized by the objectivity of facts. In addition some necessary data and information used in writing an essay was taken from the others sources, which might undermine their credibility. From the other hand it is also an advantage because such a bibliography provides critical analysis from several points of view that is also very necessary in order to explain well the topic. Moreover, the supporting primary research – internet survey includes votes of people mainly from one country, which might affect its results. In addition, the essay based mainly on the date from 2021 and the prediction of results for 2022 as the official data from the 2022 was unavailable on the Adidas website.

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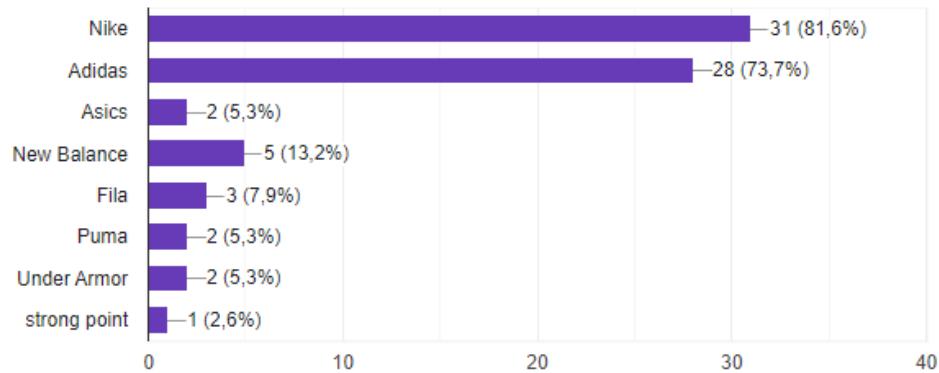
## Appendix A – Internet survey results

Which company do you think is a trendsetter and a leader in sportswear brands?

Kopuj

(Która firma według Ciebie wyznacza trendy i jest liderem marek odzieży sportowej?)

38 odpowiedzi

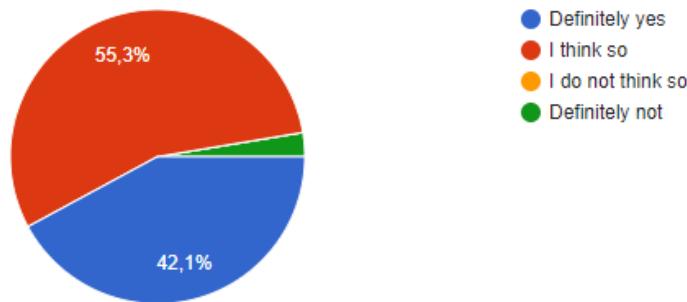


Do you think that Adidas has a real prospect of maintaining/gaining a high market position?

Kopuj

(Czy uważasz, że Adidas ma realne perspektywy utrzymania/zdobycia wysokiej pozycji rynkowej?)

38 odpowiedzi

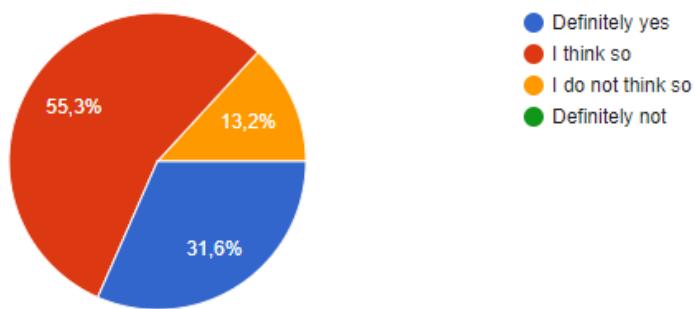


Do you think Adidas is gaining an edge in the market by investing in partnerships and sponsorships?

Kopiuj

(Czy uważasz, że Adidas zyskuje przewagę na rynku, inwestując w partnerstwa i sponsoring?)

38 odpowiedzi

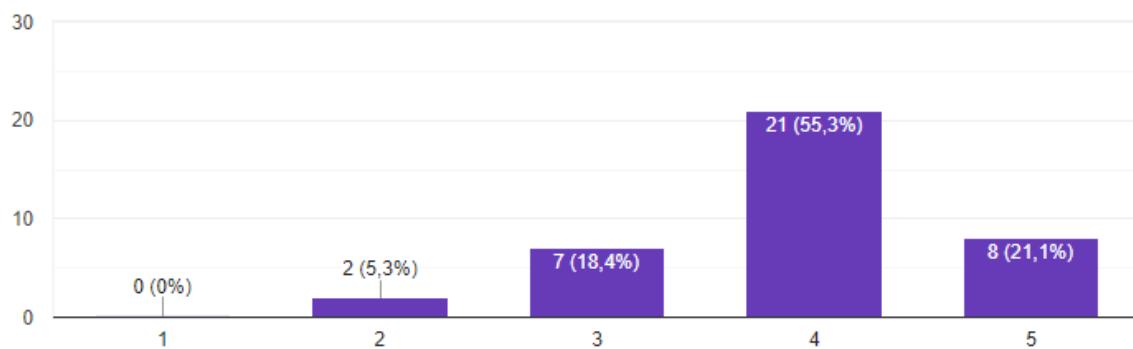


How do you rate adidas products in terms of quality (comparing to the competitors)?

Kopiuj

(jak oceniasz produkty adidas pod względem jakości (w porównaniu do konkurencji)?)

38 odpowiedzi

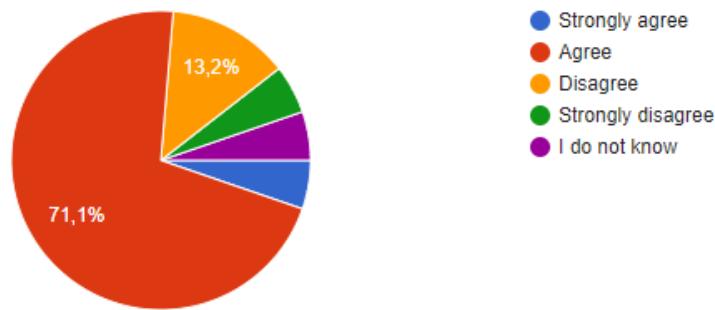


Do you agree with the statement that "Adidas products are worth the money"?

 Kopiuj

(Czy zgadzasz się ze stwierdzeniem, że „produkty Adidas są warte swojej ceny”?)

38 odpowiedzi

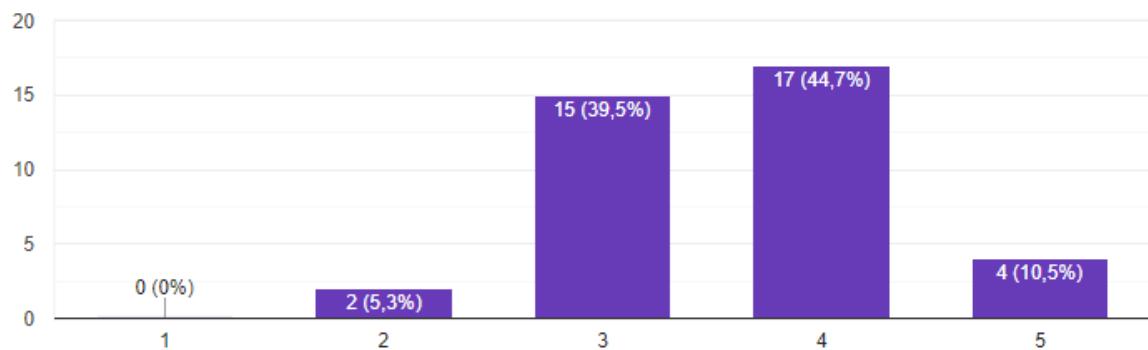


How would you rate the prices of Adidas products?

 Kopiuj

(Jak oceniasz ceny produktów Adidas?)

38 odpowiedzi



## Appendix B – Adidas Financial results for 2021



adidas AG Condensed Consolidated Income Statement (IFRS)<sup>1</sup>

€ in millions	Year ending December 31, 2021	Year ending December 31, 2020	Change
Net sales	21,234	18,435	15.2%
Cost of sales	10,469	9,213	13.6%
<b>Gross profit</b>	<b>10,765</b>	<b>9,222</b>	<b>16.7%</b>
(% of net sales)	50.7%	50.0%	0.7pp
Royalty and commission income	86	61	40.9%
Other operating income	28	42	(34.8%)
Other operating expenses	8,892	8,580	3.6%
(% of net sales)	41.9%	46.5%	(4.7pp)
Marketing and point-of-sale expenses	2,547	2,373	7.3%
(% of net sales)	12.0%	12.9%	(0.9pp)
Operating overhead expenses <sup>2</sup>	6,345	6,207	2.2%
(% of net sales)	29.9%	33.7%	(3.8pp)
<b>Operating profit</b>	<b>1,986</b>	<b>746</b>	<b>166.3%</b>
(% of net sales)	9.4%	4.0%	5.3pp
Financial income	19	29	(32.1%)
Financial expenses	153	196	(22.0%)
<b>Income before taxes</b>	<b>1,852</b>	<b>578</b>	<b>220.2%</b>
(% of net sales)	8.7%	3.1%	5.6pp
Income taxes	360	117	207.9%
(% of income before taxes)	19.4%	20.2%	(0.8pp)
<b>Net income from continuing operations</b>	<b>1,492</b>	<b>461</b>	<b>223.4%</b>
(% of net sales)	7.0%	2.5%	4.5pp
Gain/(loss) from discontinued operations, net of tax	666	-19	n.a
<b>Net income</b>	<b>2,158</b>	<b>443</b>	<b>387.4%</b>
(% of net sales)	10.2%	2.4%	7.8pp
<b>Net income attributable to shareholders</b>	<b>2,116</b>	<b>432</b>	<b>389.6%</b>
(% of net sales)	10.0%	2.3%	7.6pp
<b>Net income attributable to non-controlling interests</b>	<b>42</b>	<b>11</b>	<b>296.5%</b>
<b>Basic earnings per share from continuing operations (in €)</b>	<b>7.47</b>	<b>2.31</b>	<b>223.3%</b>
<b>Diluted earnings per share from continuing operations (in €)</b>	<b>7.47</b>	<b>2.31</b>	<b>223.3%</b>
<b>Basic earnings per share from continuing and discontinued operations (in €)</b>	<b>10.90</b>	<b>2.21</b>	<b>392.1%</b>
<b>Diluted earnings per share from continuing and discontinued operations (in €)</b>	<b>10.90</b>	<b>2.21</b>	<b>392.1%</b>

1 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

2 Aggregated distribution and selling expenses, general and administration expenses, sundry expenses and impairment losses (net) on accounts receivable and contract assets. Rounding differences may arise.



adidas AG Consolidated Statement of Financial Position (IFRS)<sup>1</sup>

€ in millions	December 31, 2021	December 31, 2020	Change in %
Cash and cash equivalents	3,828	3,994	(4.1)
Accounts receivable	2,175	1,952	11.4
Other current financial assets	745	702	6.1
Inventories	4,009	4,397	(8.8)
Income tax receivables	91	109	(16.9)
Other current assets	1,062	999	6.3
Assets classified as held for sale	2,033	0	802,610.8
<b>Total current assets</b>	<b>13,944</b>	<b>12,154</b>	<b>14.7</b>
Property, plant and equipment	2,256	2,157	4.6
Right-of-use assets	2,569	2,430	5.7
Goodwill	1,228	1,208	1.7
Trademarks	16	750	(97.8)
Other intangible assets	336	252	33.6
Long-term financial assets	290	353	(17.8)
Other non-current financial assets	160	414	(61.2)
Deferred tax assets	1,263	1,233	2.5
Other non-current assets	74	103	(28.4)
<b>Total non-current assets</b>	<b>8,193</b>	<b>8,899</b>	<b>(7.9)</b>
<b>Total assets</b>	<b>22,137</b>	<b>21,053</b>	<b>5.1</b>
Short-term borrowings	29	686	(95.8)
Accounts payable	2,294	2,390	(4.0)
Current lease liabilities	573	563	1.8
Other current financial liabilities	363	446	(18.6)
Income taxes	536	562	(4.7)
Other current provisions	1,458	1,609	(9.4)
Current accrued liabilities	2,684	2,172	23.6
Other current liabilities	434	398	9.0
Liabilities classified as held for sale	594	–	n.a.
<b>Total current liabilities</b>	<b>8,965</b>	<b>8,827</b>	<b>1.6</b>
Long-term borrowings	2,466	2,482	(0.7)
Non-current lease liabilities	2,263	2,159	4.8
Other non-current financial liabilities	51	115	(55.4)
Pensions and similar obligations	267	284	(6.1)
Deferred tax liabilities	122	241	(49.5)
Other non-current provisions	149	229	(34.8)
Non-current accrued liabilities	8	8	(3.2)
Other non-current liabilities	9	17	(45.8)
<b>Total non-current liabilities</b>	<b>5,334</b>	<b>5,535</b>	<b>(3.6)</b>
Share capital	192	195	(1.8)
Reserves (thereof at Dec. 31st, 2021 € 128 million relating to the Reebok disposal group)	69	(474)	n.a.
Retained earnings	7,259	6,733	7.8
<b>Shareholders' equity</b>	<b>7,519</b>	<b>6,454</b>	<b>16.5</b>
Non-controlling interests	318	237	34.0
<b>Total equity</b>	<b>7,837</b>	<b>6,691</b>	<b>17.1</b>
<b>Total liabilities and equity</b>	<b>22,137</b>	<b>21,053</b>	<b>5.1</b>

# Appendix C – Adidas predicted financial results for 2022



February 3, 2023

## CONSENSUS EARNINGS ESTIMATES Q4 2022, FY 2022 & FY 2023

Please note that 2021 actuals reflect continuing operations only (and hence exclude Reebok financials). The full Q4 2021 and FY 2021 P&L statements can be found in the financial publications section on our website.

€ in millions	Q4 2022E	FY 2022E	FY 2023E	Q4 2021	FY 2021
<b>Net sales</b>	<b>5,495</b>	<b>22,789</b>	<b>23,442</b>	<b>5,137</b>	<b>21,234</b>
Change currency-neutral	4%	2%	4%	-3%	16%
Gross profit	2,153	10,768	11,091	2,519	10,765
<b>Gross margin</b>	<b>39.0%</b>	<b>47.1%</b>	<b>47.0%</b>	<b>49.0%</b>	<b>50.7%</b>
Royalty & commission income	33	119	111	33	86
Other operating income	23	154	94	15	28
Other operating expenses	3,024	10,441	10,230	2,501	8,892
Other operating expenses (% of net sales)	54.2%	45.7%	43.7%	48.7%	41.9%
<b>Operating profit</b>	<b>-782</b>	<b>611</b>	<b>1,019</b>	<b>66</b>	<b>1,986</b>
<b>Operating margin</b>	<b>-14.1%</b>	<b>2.7%</b>	<b>4.3%</b>	<b>1.3%</b>	<b>9.4%</b>
Financial income	9	38	32	17	19
Financial expenses	34	324	156	39	153
<b>Income before taxes</b>	<b>-822</b>	<b>301</b>	<b>788</b>	<b>44</b>	<b>1,852</b>
Income taxes	-318	42	183	-79	360
Income tax rate	40.0%	14.4%	23.6%	-177.6%	19.4%
<b>Net income from continuing operations</b>	<b>-483</b>	<b>254</b>	<b>639</b>	<b>123</b>	<b>1,492</b>
Basic EPS from continuing operations (in €)	-2.67	1.23	3.50	0.58	7.47

Estimates collected between January 24 and February 2, 2023.

# of estimates: 22.

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### adidas Investor Relations Team

Phone: +49 9132 84 2920

Email: investor.relations@adidas.com

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### Disclaimer

The consensus information published in the table above is the median of all estimates collected from financial analysts covering adidas. Their forecasts, estimates, predictions, opinions and recommendations regarding the company's performance and therefore the aggregated consensus earnings estimates are theirs alone and do not represent those of adidas or its management. By providing these estimates, adidas does not endorse or agree with any of such analysts' forecasts, estimates, predictions, opinions and recommendations and assumes no liability for the accuracy of such estimates and undertakes no obligation to update or revise such estimates.

The information is being provided for informational purposes only and is not intended to, nor does it constitute, investment advice or any solicitation to buy, hold or sell securities or other financial instruments of adidas. In addition, investors are warned that reliance on the consensus information as part of their investment decision could result in a loss, especially if adidas failed to meet the analysts' estimates.

The circulation of the consensus information by adidas is not mandatory and the company may amend its practice on this at any time.

## Appendix D – Adidas financial results for 9 month in 2022 (30 September 2022)



ADIDAS AG CONDENSED CONSOLIDATED INCOME STATEMENT (IFRS)

€ in millions	Nine months ending September 30, 2022	Nine months ending September 30, 2021	Change
<b>Net sales</b>	<b>17,306</b>	<b>16,096</b>	<b>7.5%</b>
Cost of sales	8,697	7,851	10.8%
<b>Gross profit</b>	<b>8,609</b>	<b>8,245</b>	<b>4.4%</b>
(% of net sales)	49.7%	51.2%	(1.5pp)
Royalty and commission income	86	53	63.8%
Other operating income	133	13	919.5%
Other operating expenses	7,435	6,391	16.3%
(% of net sales)	43.0%	39.7%	3.3pp
Marketing and point-of-sale expenses	1,995	1,831	8.9%
(% of net sales)	11.5%	11.4%	0.2pp
Operating overhead expenses <sup>1</sup>	5,440	4,560	19.3%
(% of net sales)	31.4%	28.3%	3.1pp
<b>Operating profit</b>	<b>1,393</b>	<b>1,920</b>	<b>(27.5%)</b>
(% of net sales)	8.0%	11.9%	(3.9pp)
Financial income	32	11	189.3%
Financial expenses	302	123	145.6%
<b>Income before taxes</b>	<b>1,122</b>	<b>1,808</b>	<b>(37.9%)</b>
(% of net sales)	6.5%	11.2%	(4.7pp)
Income taxes	386	439	(12.0%)
(% of income before taxes)	34.4%	24.3%	10.1pp
<b>Net income from continuing operations</b>	<b>736</b>	<b>1,369</b>	<b>(46.2%)</b>
(% of net sales)	4.3%	8.5%	(4.3pp)
Gain from discontinued operations, net of tax	415	576	(28.0%)
<b>Net income</b>	<b>1,151</b>	<b>1,945</b>	<b>(40.8%)</b>
(% of net sales)	6.7%	12.1%	(5.4pp)
<b>Net income attributable to shareholders</b>	<b>1,124</b>	<b>1,915</b>	<b>(41.3%)</b>
(% of net sales)	6.5%	11.9%	(5.4pp)
<b>Net income attributable to non-controlling interests</b>	<b>27</b>	<b>31</b>	<b>(10.9%)</b>
<b>Basic earnings per share from continuing operations (in €)</b>	<b>3.83</b>	<b>6.87</b>	<b>(44.2%)</b>
<b>Diluted earnings per share from continuing operations (in €)</b>	<b>3.83</b>	<b>6.87</b>	<b>(44.2%)</b>
<b>Basic earnings per share from continuing and discontinued operations (in €)</b>	<b>6.08</b>	<b>9.83</b>	<b>(38.1%)</b>
<b>Diluted earnings per share from continuing and discontinued operations (in €)</b>	<b>6.08</b>	<b>9.83</b>	<b>(38.1%)</b>

1 Aggregated distribution and selling expenses, general and administration expenses, sundry expenses and impairment losses (net) on accounts receivable and contract assets.  
Rounding differences may arise.



**ADIDAS AG CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)**

<b>€ in millions</b>	<b>September 30, 2022</b>	<b>September 30, 2021</b>	<b>Change in %</b>
Cash and cash equivalents	806	3,603	(77.6)
Accounts receivable	3,240	2,909	11.4
Other current financial assets	1,454	832	74.8
Inventories	6,315	3,664	72.4
Income tax receivables	112	75	48.6
Other current assets	1,289	1,092	18.0
Assets classified as held for sale	-	1,965	n.a.
<b>Total current assets</b>	<b>13,217</b>	<b>14,142</b>	<b>(6.5)</b>
Property, plant and equipment	2,347	2,102	11.6
Right-of-use assets	2,575	2,454	4.9
Goodwill	1,318	1,214	8.6
Trademarks	16	16	-
Other intangible assets	434	295	46.8
Long-term financial assets	302	287	5.2
Other non-current financial assets	369	181	104.2
Deferred tax assets	1,055	1,173	(10.1)
Other non-current assets	117	82	42.5
<b>Total non-current assets</b>	<b>8,533</b>	<b>7,804</b>	<b>9.3</b>
<b>Total assets</b>	<b>21,750</b>	<b>21,946</b>	<b>(0.9)</b>